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CENTRAL INTELLIGENCE AGENCY
Washington, D.C.

NOTICE
NO. _____

5 August 1952

SUBJECT: Administration of Allowances and Differentials

REFERENCE: CIA Regulation
Confidential Funds Regulations 6.2, 6.3, 6.5, 6.7

A. Principles of Administration

1. Basic Salary and Allowances

(a) Basic Salary is the full compensation ^{for} and is directly related to the services rendered without regard to the geographical location of the assignment. Basic salary may be negotiated in the recruitment-appointment process.

(b) Allowances are granted as monetary incentives to induce an individual to accept an assignment in a specific overseas location, and/or as reimbursement for certain expenses which would not have been incurred had the work been performed in the United States.

(c) Basic salary, in every case, shall be established at a level warranted by the job.

(d) Allowances shall be granted only when circumstances attendant to the position meet the specifications established for each allowance.

2. Allowances shall never be negotiated or bargained-for.

(a) Under the Agency allowance system there is neither need nor justification for a bargaining process to determine the allowances to which an individual is entitled.

(b) Allowances are computed for each individual case on the basis of established rates and standards.

(c) Allowances are not designed or computed to meet the precise needs and tastes of every individual.

(d) Allowances are average rates and standards.

B. Types of Allowances and Differentials

1. There are three general categories of allowances and differentials:

(a) incentive allowances;

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- (b) protective allowances; and
- (c) incentive salary differentials.

These categories are described below

(a) Incentive Allowances

(1) The quarters allowance is an incentive allowance granted by the United States Government when the Government is unable to provide suitable housing and the individual is thereby required to procure his own. (The Temporary Lodging allowance is a similar allowance intended to provide payment for temporary quarters during the period in which permanent quarters are being obtained.)

(2) The quarters allowance consists of payment for the amount of the employee's estimate of annual expenses for rent, heat, light, and fuel, or a maximum rate for the locale, whichever is smaller.

(3) The maximum rates are intended to cover customary expenses of personnel in adequate, but not elaborate or expensive quarters in the locale involved.

(4) Because quarters allowances are based upon "average" factors, differences in individual tastes will be such that the allowance granted will not always fully reimburse all personnel.

(5) The quarters allowance is granted only in lieu of providing actual housing, and the Government has ruled that money received for this allowance shall not be considered taxable income.

(6) The quarters allowance is an incentive to serve overseas, and is not intended as an inducement to do a particular type of work.

(b) Protective Allowances

(1) The government has established a number of allowances which protect the individual and preserve his incentives by providing for extra payments to equalize overseas living expenses with Washington, D. C. expenses, and to meet certain other necessary expenses incurred because of government initiated circumstances or because of other conditions directly related to overseas service.

(a) The post allowance is a payment made to employees who are assigned to a post where the cost of living (exclusive of quarters) is substantially higher than in Washington. It is provided in order that current living expenses will

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not require the expenditure of a larger percentage of the base salary than would be expended in Washington. The amount varies in proportion to living costs at the post, salary and family status of the employee, and is based on living costs for the "average" government employee

(b) The separation allowance is a payment made to an employee who is compelled to maintain his wife or minor children outside the country of his assignment, by reason of dangerous, unhealthful, or excessively adverse living conditions at the foreign post, or for the convenience of the Government. It is designed to assist an employee to meet the additional expenses when he is required to maintain separate households for himself and for his family.

(c) The representation allowance is a payment to defray authorized intermittent or continuing costs incurred by an individual for the enhancement of United States prestige and interests or in maintaining his social position as a representative of this Agency or the U. S. Government at a higher level than would be normal or expected on his base salary.

(d) The transfer allowance is a payment made to an employee for necessary expenses, not otherwise compensated for, incident to his transfer from one climatic zone to another. This allowance is provided to help offset some of the expenses incurred when such a transfer requires additional purchases of suitable clothing and household furniture and alterations of electrical equipment, etc. The amounts provided are token payments. They are not intended to cover the entire cost of interzone transfers but merely to aid in offsetting it.

(2) Protective-type allowances are intended only as protection against unwarranted financial losses and shall never be viewed as a direct method of increasing personal savings. They are granted primarily to protect the economic incentives provided by the Government to overseas personnel.

(3) The Government has ruled that money received from these allowances shall not be considered taxable income.

(c) Incentive-type Salary Differential

(1) There are posts overseas where extraordinarily difficult or notably unhealthful conditions or excessive physical hardships exist. Because the need for qualified U. S. personnel is equal at all posts, regardless of environmental conditions, the Government has established a recruitment incentive, known as the post differential, to assist the staffing of undesirable

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posts. When substantial environmental hardship exists the post is placed into one of four classes depending upon the estimated degree of hardship. Ratings are made by means of a carefully-developed point scale system based on criteria of extraordinary difficult living conditions, excessive physical hardship, and notably unhealthful conditions.

(2) The post differential goes a step further than the temporary lodging and permanent quarters allowances in that the allowances are granted as incentives to work overseas generally while the differential is an incentive to work at a particular place overseas. The factors on which the differential is based are not related to specific costs or expenses as are allowances, and for this reason payments are made in amounts equal to percentages of base salary. The Government has ruled that money received in the form of a salary differential must be considered taxable income.

C. Established Rates and Standards Must Be Followed

Uniform, impartial adherence to the rates and standards established for these standardized allowances and differentials is the single factor which will most nearly ensure that base salary and allowances are not confused, and further, that allowances are granted equitably and are not bargained-for. Standardized rates and standards are based upon carefully-appraised data from which "average" conditions for the "normal" employee are estimated. Because they are designed to meet the needs and wishes of the "average" person, the allowance payments authorized for a given post will rarely coincide exactly with the needs or wishes of any one individual, but will, in fact, more-than-compensate some, and less-than-compensate others. This aspect must be recognized and accepted, both by those who grant, and those who receive standardized allowances and differentials. The entire Government uses a system based on "average" factors in the belief that, among the possible alternatives, this kind of system, if adhered-to uniformly and impartially, achieves maximum equity for the greatest number of people.

D. Cover May determine Allowances

Cover is a major factor which may affect the allowances and differentials granted Agency personnel. It is important to recognize that when various cover facilities are being used by Agency personnel in the same foreign locale, the allowances and differentials granted to each individual may differ. This is not intended as a contradiction of the principles of uniformity and impartiality, but rather as a statement of the principle that preservation of cover will take precedence over complete adherence to normal standards if adherence to such standards jeopardizes cover. Within reasonable limits, established rates and standards will always be adhered-to. If a cover facility has its own allowance policies, Agency personnel serving thereunder must be prepared to accept, if necessary, the allowances or differentials offered by that organization and recognize that they may differ somewhat from those granted other Agency personnel who are under a different cover.

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E. Special Allowances

The special allowances and differentials authorized by this Agency are "special" only in the sense that they are granted to personnel whose service is accompanied by certain circumstances not accounted-for within the rates and standards established for a specific standardized allowance or differential. The principles and practices followed in the determination and granting of these special payments should not deviate from those on which standardized rates and standards are based. Recognizing that some personnel serve under unusual circumstances, the Agency has established these special payments to provide personnel serving under non-usual circumstances with the allowances and differential coverage they would have received had their non-usual situations been considered to norm. The justification for each special allowance or differential will depend finally upon the degree to which the psirit and intent behind standardized allowances and differentials is successfully projected onto the special situation.

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